

VZCZCXRO6133

PP RUEHAO RUEHCD RUEHGA RUEHGD RUEHHA RUEHHO RUEHMC RUEHMT RUEHNG
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC
DE RUEHCV #0778/01 1732045
ZNY CCCCC ZZH
P 222045Z JUN 09
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 3251
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS
RUEAHL/DHS WASHDC
RULSDMK/DEPT OF TRANSPORTATION
RUEABND/DEA HQ WASHINGTON DC
RUCPDO/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY
RUMIAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 000778

SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
COMMERCE FOR 4332/MAC/WH/JLAO
TREASURY FOR RJARPE
NSC FOR RKING
SECSTATE PASS AGRICULTURE ELECTRONICALLY

E.O. 12958: DECL: 04/21/2019

TAGS: [ECON](#) [PGOV](#) [PREL](#) [ETRD](#) [EINV](#) [EAGR](#) [MARR](#) [VE](#)

SUBJECT: VENEZUELAN GOVERNMENT'S NATIONALIZATIONS CONTINUE:
PORT SERVICE COMPANIES TAKEN

REF: A. CARACAS 138

[1](#)B. CARACAS 330

[1](#)C. CARACAS 322

[1](#)D. CARACAS 707

Classified By: Economic Counselor Darnall Steuart for reasons 1.4
(b) and (d).

[1](#)1. (C) SUMMARY: The Venezuelan government continues to centralize power over the country's ports under the Diosdado Cabello-led Ministry of Public Works and Housing with its seizure of privately owned port warehouse operations. On June 10, the Ministry announced that, within 30 days, the government would review past concessions granted to the private sector for port operations with a view towards additional nationalizations. As of June 11, Lloyd's of London and other insurers have added Venezuela to the "Hull War, Strikes, Terrorism and Related Perils List," meaning that insurance companies may no longer insure maritime assets against confiscation in Venezuela. A Lloyd's spokesman referenced deteriorating conditions in the country, including the seizure of offshore marine assets last month, as well as USG concerns with Venezuelan port security (Ref A), as justification for the action. END SUMMARY.

CABELLO'S "SUPER MINISTRY"

[1](#)2. (C) On March 12, the National Assembly passed a law giving President Chavez the authority to take control of ports and airports from state governments. Following passage of this law, the central government used the National Guard to seize the majority of the country's state government-run port authorities (Ref B). Port administration was transferred to a centralized body (Bolivariana de Puertos, i.e., Bolipuertos) under Diosdado Cabello, one of Chavez's closest supporters. Cabello was named Minister of Public Works and Housing following his failure to win re-election to the governorship of Miranda state in the November 2008 elections (Ref C).

[1](#)3. (C) The central government subsequently passed a resolution authorizing the Ministry to review concessions granted for port operations. On June 10, the Ministry declared that within 30 days, the government will "review each (private) company's contract for its use of port space

and infrastructure." Cabello explained the move by saying that a few families had been "brutally enriching themselves by administering state-owned (port) space" and that these strategic activities "will be newly assumed by the National Executive." Our sources tell us that the Bolipuertos board named by Cabello includes his nephew as well as other figures associated with his administration of Miranda state (septel).

PORT SERVICES COMPANIES TAKEN "FOR THE PEOPLE"

¶4. (C) On June 12, Post received word that the Government of the Bolivarian Republic of Venezuela (GBRV) had seized the majority of the privately held warehouse operations in the port of Maracaibo. Ana Maria D'Andrea (strictly protect throughout), Vice President of Venezuelan customs broker Ansetrami, confirmed to Econoff June 18 that rather than merely reviewing port concessions, the GBRV had simply seized Maracaibo warehouse operations. Although the GBRV review is not scheduled to be completed until July 10, Diosdado Cabello has already made statements to the press about taking over the private companies. Cabello told the press June 11 that private companies at one port alone (Puerto La Guaira) were paying the central government five percent of their profits, workers 30 percent, and were keeping 65 percent, or USD 220 million, for themselves. He said the hundreds of millions these private companies were generating from their port activities will now be used "for the people."

¶5. (C) The press reported June 17 that an audit commission
CARACAS 00000778 002 OF 002

named by Bolipuertos had begun visiting warehouse operations in Venezuela's largest port in terms of imports, Puerto Cabello. D'Andrea confirmed this but speculated that there are too many private warehouse operators at Puerto Cabello for the GBRV to administer them effectively. She posited that the GBRV will instead use its familiar model of creating mixed, public-private companies ("empresas mixtas,") with majority government ownership. Another Embassy contact who operates stevedoring services in Puerto Cabello reported that his company had not been permitted to remove its equipment (small tractors, pay loaders, trucks etc.) from the port area as it normally does. He speculated that Bolipuertos will next move against companies offering stevedoring and services to ships.

¶6. (C) Although D'Andrea reports that ports are still operating normally, she said there is a high level of uncertainty among workers about what the GBRV 30-day review will mean for them. Eduardo Eulacio, advisor to the Association of Customs Administration for Zulia State, told the press June 18 that the GBRV has instructed warehouse companies to fire 1,000 employees and pay them severance. He said the GBRV is claiming it will then re-hire them. Needless to say, said Eulacio, there is not much confidence on the part of the workers that the government will make good on its promise. He stated that when the port authority in Zulia was taken over by the central government in March, the GBRV laid off many port personnel and has not hired them back.

MARITIME INSURANCE RESTRICTED

¶6. (SBU) Adding to the ever growing woes of Venezuela's ports, the Joint War Committee (JWC), marine insurance underwriting representatives from Lloyd's of London and the International Underwriting Association, acted June 11 to place Venezuela on the JWC "Hull War, Strikes, Terrorism and Related Perils Listed Areas." Neil Roberts of Lloyd's of London was quoted in the press June 16 saying "Banks, agriculture, ports and offshore energy have all been targeted. It is a likely proposition that Mr. Chavez will

continue to expropriate commercial assets." He added in a likely reference to the January 2009 U.S. Coast Guard action on Venezuelan ports (Ref A) that "The U.S. has also raised its fears over the substandard implementation of the International Ship and Port Facilities Security Code." Although this is only an advisory to insurance companies, the Lloyd's recommendation that insurers withdraw their maritime war-risk policy coverage for Venezuela could result in higher insurance costs. It could also mean shipping companies might be unable to obtain coverage against maritime asset seizure in Venezuela.

COMMENT

17. (C) Following the GBRV's March decision to take ports from state governments, it now appears on a path to take over the private companies that offer port warehousing services. Given the poor record for efficiency in other nationalized enterprises, we expect to see a negative impact on port operations in the months to come.
CAULFIELD